



West Contra Costa USD

Presentation to the Facilities Subcommittee
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A Division of Zions First National Bank

Fontana USD Bond Program

- The Fontana Unified School District financing program is one that we've been paying attention to from a financing plan perspective.
 - Relatively large authorization.
 - Relatively aggressive project schedule.
 - Unprecedented declines in assessed value.
 - BANs to buy time pending tax base recovery.
 - Maturity date for BANs.

Fontana USD Pricing

- We have also been interested in the transaction from a pricing standpoint.
 - “Aa3” rated school district.
 - Economically impacted area.
 - Story-type credit.
 - Significant press.
 - Competitive sale.

Today's Event

- This morning, the District took bids on two separate bond transactions with a common plan of finance.
 - Refunding Bonds - \$90 million current interest bonds due 2013 to 2031.
 - New Money Bonds - \$50 million of callable capital appreciation bonds due 2030 to 2044.
 - Separate invited competitive sales at 8:35am and at 9:35am.

Results

- On first analysis, the results were considerably better than we would have anticipated.
 - Both transactions attracted a reasonable number of bidders.
 - Top bids were relatively tightly grouped (particularly on the refunding bonds).
 - Spreads to MMD seemed reasonable (perhaps better) based on initial review.
 - At this point in time, we don't have enough information to provide a full-blown analysis.

Number of Bids

- One measure of success is the number of firms participating in the bidding process.

Current Interest Bonds

- Raymond James & Associates
- Bank of America Merrill Lynch
- Morgan Stanley & Company
- Barclays Capital
- Citigroup
- Wells Fargo Securities

Capital Appreciation Bonds

- Citigroup
- Barclays Capital
- Morgan Stanley & Company
- Bank of America Merrill Lynch

Bid Range

- Another simple indicator is the range of bids received.

Bid TIC for CIBs [1]

Raymond James & Associates	2.90%
Bank of America Merrill Lynch	2.91%
Morgan Stanley & Company	2.93%
Barclays Capital	3.03%
Citigroup	3.15%
Wells Fargo Securities	3.16%

Bid TIC for CABs [1]

Citigroup	5.58%
Barclays Capital	5.87%
Morgan Stanley & Company	5.92%
Bank of America Merrill Lynch	5.99%

Cover	0.01%
Range	0.26%

Cover	0.29%
Range	0.41%

[1] Due to differences in structure, bid TICs are not directly comparable between series.

Evaluating Interest Rates

- A more sophisticated analysis will involve collecting comparable transactions and comparing them to bid results based on spread to MMD.
 - Identification of comparable transactions.
 - Analysis of spread movement over time.
 - Review of applicable recent trading activity.
 - Impact of couponing, redemption provisions, and other structuring elements.
 - Accounting for special circumstances.

CIB Results

- Available information for the refunding bond transaction is summarized below.

2012 General Obligation Refunding Bonds

MATURITY	\$ AMOUNT	RATE	BASIS/YIELD	SPREAD	SYNDICATE	DOLLAR BID	TIC
08/01/2013	2,100,000	2.000	0.400	0.20	Raymond James MK (Lead Underwriter)*	110.3195455	2.9071%
08/01/2014	1,035,000	2.000	0.550	0.25	BA Merrill Lynch (Alone)	110.7762443	2.9182%
08/01/2015	2,070,000	3.000	0.650	0.29	Morgan Stanley (Alone)	103.7876837	2.9397%
08/01/2016	2,445,000	3.000	0.750	0.29	Barclays Capital (Lead Underwriter)**	110.5441997	3.033%
08/01/2017	2,775,000	3.000	1.000	0.38	Citigroup (Alone)	114.0563322	3.1502%
08/01/2018	3,180,000	5.000	1.200	0.41	Wells Fargo Secs (Alone)	113.5939833	3.162%
08/01/2019	3,570,000	5.000	1.500	0.48			
08/01/2020	3,980,000	4.000	4.830	0.55			
08/01/2021	4,400,000	4.000	2.150	0.64			
08/01/2022	4,810,000	4.000	2.400	0.71			
08/01/2023	5,290,000	4.000	2.550	0.73			
08/01/2024	5,810,000	4.000	2.650	0.75			
08/01/2025	6,355,000	5.000	2.550	0.58			
08/01/2026	6,980,000	5.000	2.620	0.58			
08/01/2027	7,695,000	5.000	2.700	0.59			
08/01/2028	8,425,000	3.000	3.200	1.03			
08/01/2029	6,195,000	3.125	3.250	1.02			
08/01/2030	700,000	3.250	3.300	1.01			
08/01/2031	300,000	3.250	3.350	1.00			

* CO-Managers: Fidelity Capital; UBS Financial Services; and Jefferies.

** Siebert Brandford (Co-Manager).

CAB Results

- Available information for the new money bond transaction is summarized below.

Election of 2006 General Obligation Bonds, Series C

MATURITY	\$ AMOUNT	RATE	BASIS/YIELD	SPREAD
08/01/2030	\$1,164,380.00	0	5.000	2.71
08/01/2031	1,098,188.00	0	5.050	2.70
08/01/2033	4,338,936.00	0	5.200	2.71
08/01/2034	4,436,320.00	0	5.350	2.78
08/01/2035	4,399,596.00	0	5.400	2.75
08/01/2036	4,219,565.00	0	5.550	2.83
08/01/2037	4,150,632.00	0	5.600	2.81
08/01/2038	4,069,116.00	0	5.650	2.84
08/01/2039	3,997,249.00	0	5.680	2.85
08/01/2040	3,948,188.00	0	5.700	2.86
08/01/2041	3,878,536.00	0	5.730	2.88
08/01/2042	3,440,814.00	0	5.750	2.89
08/01/2043	2,796,640.00	0	5.750	2.89
08/01/2044	1,321,280.00	0	5.750	2.89

SYNDICATE	DOLLAR BID	TIC
Citigroup (Alone)	23.99374414	5.5891%
Barclays Capital (Lead Underwriter)*	22.33729048	5.8773%
Morgan Stanley (Alone)	22.05254546	5.9291%
BA Merrill Lynch (Alone)	21.71848612	5.9907%

* Siebert Brandford (Co-Manager).

Other Considerations

- In a full-blown analysis, we would have considered a number of additional factors.
 - Underwriter spread analysis.
 - Analysis of investor participation / underwriter book of business.
 - Comments of non-winning underwriters.
 - Sales and trading activity between sale and close.
 - Detailed analysis of comparable sales (including impact of couponing).

Summary and Conclusions

- At the end of the day, the District seems to have had a successful transaction, but uncertainty remains.
 - BANs will be repaid in December.
 - District avoided exposing its general fund.
 - Taxpayers remain at risk, though it is uncertain that District will exceed tax rate targets as a result of this CAB issuance.
 - The impact of this transaction on public support for the District is unclear.